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V.

TARIFF REACTIONS.

MY grandfather, who was illiterate but long-headed, sent three of his sons to college. In their vacations at home, he would sometimes amuse himself and discomfit them by putting to them hard questions in arithmetic or mensuration, which he had thought out at his leisure, but which came upon them unprepared. When he had sufficiently puzzled them, he would draw up his chair, chalk in hand, to the immense hearthstone of the old farmhouse, and say, "Now, boys, let us look into the natur' on't." The spirit of this homely direction is nowhere more useful than in tariff discussions, because multitudes of disputants, both in Congress and out of Congress, as well on one side as on the other of the vexed question of "protection," have displayed no clear ideas of what a tariff is in its own nature, and how, from that very nature, it must work out the natural results. This common fault, at least, we hope to avoid in the present discussion.

The origin of the word *tariff*, and the nature of the thing tariff, leave no doubt at all about what its natural action must be. The word has not a very respectable origin, and, unfortunately, the taint attaches also somewhat to the thing. To be sure, the Moors of Tarifa were no hypocrites: they wanted money; their own good swords had won them an opportunity to extort it; and they took it without compunction. They did not pretend that it was a blessing to commerce to pay them black-mail at the straits. They understood perfectly, and so did the shippers of that day, that what was so paid was just so much abstracted from what would otherwise have been the gains of the voyages. Both parties never forgot, what the moderns under false teaching have been so apt to forget, namely, that the tariff-sign is always a minus-sign and never a plus-

sign—from the first to the last just so much *taken out* from the gains of the purposed exchanges.

Now, so far as the fundamental nature of a tariff is concerned—its direct action in the first instance—it makes but little difference what the ostensible purpose is under which tariff-dues are demanded. They may be demanded for simple plunder, as in the case just cited; they may be demanded in the name of “protection,” so called; and they may be demanded as a simple mode of taxation for the support of government. The first, indeed, is worst, the second is worse than the third, and the third at best is bad, because all break in upon the freedom of profitable exchanges and take out a part of the legitimate gains, and because all disturb prices unequally, although the demands of the first are wholly lawless, and those of the second are always higher and affect prices more unjustly than those of the third. The main, direct point is, that the action of a tariff under all circumstances is negative, and not positive. It takes something; it gives back nothing. It demands always; it renders never. One may read any tariff-act that ever was enacted in any country under heaven, from the beginning of it to the end thereof, or he may begin in the middle and read back to title and then onward to *finis*, and all he will ever find is a series of demands. The ten commandments are all reduced in a tariff to one commandment—*Thou shalt pay*.

It is needful to insist on this, because many people think and speak of a tariff as if it were a positively productive agent—a spur and a reward to industry. Any one, however, who will stop to think about the *nature* of a tariff, and especially any one at all familiar with the *origin* and *history* of tariffs, will find no difficulty in coming to his conclusion as to what the direct action of a tariff is and must be. But we are more concerned in this article to find out and to emphasize what are the *reactions* of a tariff, and especially of a so-called protective tariff. Tariffs for mere plunder have passed away under the light of a better civilization; tariffs with low rates of duty, laid on comparatively few things for the sole purpose of obtaining revenue, are still under discussion as one of the honest modes of taxation; while protective tariffs, having necessarily high rates on comparatively many things—owing both to the purpose in view and to the coöperation of many interests needed to secure and maintain the high duties—afford the best opportunity of studying as well the direct action as the several reactions natural to all tariffs. It will be seen, accordingly, that the reactions of the protective system

are in the same line as the direct action of the same, and intensify many fold, without ever counteracting them at all, the evils of a direct assault upon the gains of international exchanges.

First Reaction.

It is always the purpose of protective duties to lessen the competition experienced in the sale of home commodities. The foreign commodities, therefore, which are subject to the duties, will either be kept out of the country by them altogether, or will be so raised in price by them as to be able to compete less effectually with the corresponding home commodities. In either case, less foreign goods of that class are imported than would be imported but for the duties ; and the price of the corresponding home goods is raised somewhat in accordance with what the duty-paid price of the foreign goods is, or would be if imported. This is at once the avowed purpose, and the direct effect, at least for a time, of protective duties. Otherwise, they would not be "protective." Otherwise, we should still be "flooded," as before, "with cheap goods." Otherwise, we should still be employing, as before, "the pauper-labor of foreigners." No terror can be greater than that of a genuine protectionist in the presence of "cheap goods," unless it be the terror of another genuine protectionist in prospect of the "pauper-labor of foreigners." Tariff-duties, then, lessen importations, the protectionists themselves being the judges. As protective, they are *designed* to do this, and as a matter of fact they *do* do it, for a time. This is their direct and intended action.

But if importations are lessened by the duties, exportations are necessarily lessened also. By refusing to buy, any nation loses thereby an opportunity to sell. In just the degree that foreigners fail to find a market in any country does that country fail to find a market for its own products among foreigners. Buying and selling are reciprocal acts. Each nation pays for its imports by its exports. Whatever, then, artificially and forcefully lessens the imports into any country, destroys a market for the exports of that country. Whoever will not buy can not sell. Tariffs, indeed, act directly, and most men confine their attention to this action ; but the reaction is quite as important and far-reaching. If the makers of some manufactured goods realize for a while a higher price for their wares under a tariff-duty imposed for their benefit, the makers of some other manufactured goods, or the growers of agricultural goods, as the case may be, which would naturally go abroad in pay-

ment for what would be imported but for the tariff-duty, realize a lower price for *their* wares in consequence of the duty. They lose a part, or the whole, of their market.

A great country like the United States affords indeed a large market for home products, but it is not wide enough ; there is a surplus production in all the great branches of industry ; the great industrial want of our time in this land is *markets* ; and a world is far wider, and more varied, and more constant, as a market than any one country, however large, can be. But protective duties shut out from the markets of the world a part of the surplus products of this country ; and these, in consequence, fall in price below their natural level, just as dutied goods rise in price above their natural level. It is a two-edged sword ; and it smites, for the most part, one great class of the people, namely, the agricultural class. That class, to say nothing of others, under the direct action of the tariff, are compelled to pay more than is natural and just for many manufactured goods that they have to *buy*, and at the same time, under this reaction of the tariff, to *sell* a part of what they have to sell for a price less than is natural and just.

The correctness of this reasoning has been illustrated a hundred times, when new or higher duties have been put on foreign goods, in the lessened amount of those goods imported, in their higher price and the higher price of the corresponding home goods, and the consequent falling off of exports to those countries from which the imports are thus curtailed. A lessened demand for such exports of course carries down their price at home. A neat illustration of these truths, on their opposite side, has lately been brought out by Mr. J. S. Moore* in connection with the trade of the United States with the Republic of Venezuela. In 1870 this entire trade amounted to but \$3,345,145, of which \$2,037,312 were imports hither, and \$1,307,833 were exports thither. At that time both coffee and hides, almost the sole imports from Venezuela, were heavily dutied in our custom-houses. But in 1870 coffee was made free, and in 1872 hides were made free, in the United States. Four years after—that is, in 1876—the imports from Venezuela were \$5,875,715, or nearly three times more than in 1870, and the exports thither \$3,424,278, or more than two and one half times greater than in 1870. American shipping in the Venezuela trade increased in the same time from 15 vessels to 134, and from 2,571 tons capacity to

* Paper read before the Social Science Association, September 7, 1877.

43,459 tons, and from 109 hands to 1,255 hands. Also, the United States export of tanned leather increased in four years under free hides, 1872-'76, from \$2,864,800 to \$7,940,010. As tariff-duties clog exports, so their remission frees and multiplies them.

Second Reaction.

Protectionists usually confine their attention to the one country whose legislation they seek to control. Their argument is, If foreign goods are kept out by the tariff, domestic producers will soon furnish us that class of goods, and the country will be benefited by the process. But this is very short-sighted, to say the least of it. It looks only at the action, and neglects a reaction pretty certain to follow, and certain to be disastrous. The nation whose goods are shut out by the duty loses a good market, and does not like it. It regards the action of the other nation as a semi-hostile one, and looks around to see how it may best retaliate. The question is asked angrily, Why should we open our ports freely to the goods of that nation which has just excluded by tariff-legislation a portion of our own goods? It is not in human nature, except as enlightened by a long and bitter experience of the losses even of retaliation, to keep ports open to nations which deliberately shut up their own ports. Accordingly, tariff-duties in one nation naturally lead to duties in other nations, with which the first nation was wont to trade; and retaliation, once begun, works back and forth, until neighboring nations, whose whole interest is in free commercial intercourse, stand to each other in such relations of commercial bitterness and hate as characterized the relations of Great Britain and France only one hundred years ago. We have it on the highest authority, namely, that of Adam Smith, a contemporary, that the largest bulk of the trade between England and France one hundred years ago was in the hands of smugglers. Indeed, it was in this way practically that the nations were led along into the absurdities of the protective system. Retaliation is the actual mother of protection.

So it was at the first. In 1651 England passed her first navigation act, designed especially as a blow at the carrying-trade of the Dutch, but also affecting unfavorably the commerce of France, and all other intermediary carriers: in 1659 France retaliated by imposing a new duty of fifty sous per ton on foreign vessels loading or discharging merchandise in France. The English, nettled at this, reenacted the following year (1660) their navigation law, with

additional clauses, one of which imposed a double duty of six shillings per ton on French vessels in the ports of England and Ireland; while the Dutch retaliated on the English and French both, by a duty on tonnage equal to that laid by France. The very next year (1661) France struck back on England by a duty of fifty sous per ton applied by way of discrimination to all vessels of *foreign build*, crews of which were more than half foreign.* The English navigation acts, to which the American colonies were rigorously subjected, led to the enactment, in 1789 and 1816, of the navigation laws which disgrace the civilization of this country at the present moment. These laws are the perfection of "protection": they do not burden merely the introduction of foreign ships, they prohibit it utterly—and they sprang from retaliation. They are a good specimen of the reaction of which we are speaking.

The same principles are just as true and just as obvious historically, whether we examine protective or prohibitive duties on *ships* or on *goods*. More than any other one man a good deal, Colbert was the originator of the protective system as applied to ordinary goods. Henri Martin, with whom Colbert is a hero, in the volume already cited, a hundred pages further on, tells the whole story in detail. In 1664 the King Louis XIV., that is to say, Colbert, announced the intention of putting the kingdom "in a state to dispense with having recourse to foreign nations for things necessary for the use and convenience of his subjects." This was only three years after the second French navigation law referred to above. Tentative and moderate at first, protection, as usual, was greatly increased a few years later. Colbert aspired to get along without any of the products manufactured in England and Holland, as well as to get along without the help of their ships as carriers. In 1667, therefore, a new French tariff doubled, or nearly doubled, the import-duties on cloth, hosiery, carpets, manufactured leather, linens, sugars, fish-oils, laces, plate-glass, and tin! Oh, yes! the astute Colbert thought he could steal a march upon England and Holland, could encourage domestic manufactures by excluding their products, and at the same time sell to them as many French products as before. But he found, and the French nation found, to their cost, that a tariff has *reactions* as well as a direct action. Let Martin himself describe in his own words the reaction in this case:

"England and Holland showed themselves equally irritated at

* Martin's "History of France" (age of Louis XIV.), vol. i., pp. 12, *et seq.*

the blow which fell upon them. England, with her usual violence, did not content herself by increasing the duties on our wines and brandies ; she made these duties retroactive for several years ! Colbert had thought that the English, whatever we might do, could not dispense with our wines. The event did not prove him wrong during his lifetime, and the English, despite the increase of duties, continued for a considerable time longer to procure our wines and brandies from Gironde and Charente ; finally, however, they substituted for them the wines of Portugal and the Canaries. . . .

“The Dutch, still more seriously affected than the English, since their commerce was much more extensive, complained with no less warmth, and the sharpness of their ambassador Van Beuningen’s remonstrances contributed not a little to increase the unfriendly feelings of Louis XIV. toward their republic. Nevertheless, they hesitated three whole years before using reprisals, fearing to injure themselves as much as France by burdening with heavy duties French wines and brandies.”

As it was in the beginning, so it is now, and ever will be. Protective duties in one nation stir up the ill-will of other nations, even when they do not lead to direct retaliation in kind. Much of the manifested ill-will of Great Britain toward the United States during the late civil war had its seat in the tariff of 1861, and in the subsequent repeated increase of duties, all of which was hostile to the commerce of Great Britain as well as to the real interests of the commerce and revenue of the United States. Great Britain alone of all the nations has learned practically that retaliation harms the nation resorting to it, as well as the nation against which it is aimed, and increases on both sides the ill effects of the original restrictive legislation.

But there is no need that we go to distant nations or far-off times for illustrations under this head. The action of Canada this very year and toward our very selves is the best, because the freshest, illustration of this second form of reaction. Canada has frequently offered the United States reciprocity of trade. She has even pressed the acceptance of it on more than one of our national Administrations. She tired at last of being refused, and of being ill-treated besides ; and who can blame her ? Notwithstanding the fact that Canada has been for years the largest consumer of our manufactured goods of all foreign countries, we have steadily refused to admit her products into our ports on anything like the liberal terms on which she admitted our goods into her ports ; and at

last she has turned and offered us a dose of our own medicine, and our people are already making wry faces over what we ourselves have held up to the nations as a panacea. If "protection" is good for the United States, it must be good for Canada also; they are only taking us at our word; they are retaliating in kind, if not in kindness; they are just holding up a mirror in which we can see ourselves as others see us. They are indeed taking a wrong course for themselves, as well as striking a blow at us; but our mouths are shut, for they are only following out our example, and illustrating our own precepts. They are also illustrating, on a scale and with a point which are likely to help us realize our own consummate folly, that protective tariffs have indeed an action—and a reaction.

The miserable notion that one nation must put on or keep up protective duties because another nation puts them on or keeps them up, is at war with every true view of the reciprocal benefits of international trade. The enlightened world, it is to be hoped, will soon outgrow the mediæval doctrine that the prosperity of one nation is a menace to the prosperity of others, and that retaliation in the same line is any remedy for original losses.

Third Reaction.

Short-sightedness characterizes the protective policy in every stage of its development to the end. Colbert was short-sighted in putting on his protective duties in France, because he might easily have foreseen, what actually and naturally followed, that England and Holland would retaliate by corresponding burdens on French goods. If protection were a good thing for France, why would it not be an equally good thing for the Low Countries? If a capable statesman, like Colbert, supposed he had found the philosopher's stone in the trick of restriction, why should not some quick-witted Englishman think to turn all things to gold by the same cunning touch in his own country? Protectionists always think that *they* are going to steal a march on this wide-awake world; that they are bright, while the rest are stupid; that they may gather soft beds for themselves by plucking the stupid geese, who do not in the mean time find out what the new process is. This has been ludicrously noticeable in the whole book of "Protection" from preface to finis, but in no chapter so plain as in that which describes the relations of the protectionists to each other within the same country.

When a protective duty is obtained upon a single article, say

woolens, by the well-known arguments, it never seems to occur to the successful gentlemen that they have furnished to other industries not only a taking precedent, but also a form of argumentation, by which *they* may succeed in turn. The argument for the woolen manufacturers sounds well : but why may not the growers of the native wool talk in the same logical strain ? Pretty soon they learn to talk in the same strain. They can argue equal to the others. The Committee of Ways and Means listened attentively and responded affirmatively to the representatives of the mill-streams : can they shut their ears to similar arguments from the representatives of the pasture-lands and shearing-places ? No ! the wool-growers have just as good a case as the spinners and weavers. Theirs is a "domestic industry" too. The argument is the same. Besides, these plain country people, who tend the flocks upon the hillsides, know the roads well that lead to the polling-places, and watch the almanac sharp to find out when the election-days come around ; and their votes are just as important for the "party" as those of the mill-people, toward whom, as better off and richer dressed, there is already some prejudice in the breasts of the sheep-raisers. What wonder that a duty in behalf of native wool is the pledged work of the next session ?

Yes, but this second duty goes far toward neutralizing the first. A duty on foreign woolens raises the price of domestic woolens, and to that extent "encourages" the producer at home ; but, alas ! a duty on foreign wool raises the price of domestic wool (and was laid for that very purpose), and to that extent "discourages" the home producer of woolens ! The encouragement and discouragement probably about balance each other, since there is no reason why the wool-grower should not be as much "protected" against foreign competition as the wool-spinner. The latter stands about where he did to start with, only new uncertainties have been brought into his business, another industry stands in semi-hostile relations to his own, consumers of woolens begin angrily to inquire to what their extra price is due, and at what point they may curtail their consumption, while a new lesson has been taught to still other affiliated industries : how to increase artificially the price of their wares.

Iron products and steel products are essential to the mill, and constitute the bulk of its machinery. Machinery has constantly to be repaired, and has frequently to be replaced altogether. Woolen factories are necessarily large buyers of iron and steel in their manifold

forms. But the iron men, too, have noticed the facility with which the cloth-makers have secured Congressional aid in the form of a protective duty, and have noted also the arguments employed ; and it seems to them that the same reasoning is applicable to native products of iron and steel, and as a matter of fact it is equally applicable. And so the iron and steel men go to Congress—why not ?—and ask for and get a protective duty on their special products also. All machinery now rises in price ; iron goods of every name are lifted by this magic lever of protection ; everything goes on according to programme. But somehow or other the cloth-makers do not seem to relish the process : they see no flaw in the successive arguments, but the result as a whole is not pleasing. They have now to pay more for their wool, which is their raw material, and more for their machinery and iron goods, which are their means of manufacture ; and, somehow, the price of their own finished product, though protected, is not as remunerative as it was. Protection was good when applied to them alone, but the extension does not seem to work so well. They begin to see that a tariff has action, and also, unfortunately, *reactions*.

Their conclusions in this direction are strengthened when the lumbermen get a duty placed on foreign lumber to stiffen the price of the domestic article, which is very necessary in building, enlarging, and repairing factories ; and when the dealers in dyestuffs, their estimable fellow citizens, get a heavy duty on foreign dyes, in order to supply the home market at their own prices ; and when various other venders of subordinate supplies, needful in the manufacture of woollens, come with their enhanced prices, secured under the beautiful system of protection. Woolen manufactures of almost every kind have been at a uniformly low ebb in this country for more than ten years, under almost precisely the circumstances here supposed. Hypothesis has hardened into actual history.

The simple truth is, that many men are just as much entitled to rob the public as any one man is, and no one man will be allowed to do it, except he come to an understanding with the many others who wish to do it ; and when the permission is freely given to the many, as it must be if it be given at all, some of the many will be sure to find that they have purchased the privilege of plucking the geese at too large a price for themselves, namely, at the price of being plucked in turn by a number of the other privileged plunderers. Never was a truer word than that given lately to an interviewer by the much-experienced Secretary Fish : “ All our tariff systems have

been mere log-rollings. The understanding was, 'You tickle me, and I'll tickle you.' Although I have been in the Administration eight years, and something of a politician all my life, I do not pretend to understand the present tariff. It is abominable."

Fourth Reaction.

From the very nature of protective duties, as they have been explained and illustrated in this paper, they are subject to another series of reactions, with a presentation of which the present discussion will be concluded. Such duties are obviously and historically purely selfish in their origin. They are intended for the private and personal profit of the persons who get them put on. When challenged, and put on their defense, there may be, and often has been, a pretense that they exert a certain subtle creative power, that there is something substantive about them, that they have a power *to give* something new as well as *to distribute* something already existing. This subtle power has never indeed been explained; these substantive gifts have never been demonstrated; and it is therefore to be fairly presumed that they do not exist. But, at any rate, whether they exist or not, they form no part of the practical motive under which protective duties are actually put upon the statute-book. This motive is tangible and definite. It is perfectly understood in all Ways and Means Committees, in all legislative bodies, that have had to do with these things. The industries knocking at legislative doors for the privilege of "protection" have thought of nothing further, and have cared about nothing more, than *the extra price* they expected for their wares from their fellow citizens as consumers of the same. The sole aim of the duties was a redistribution of existing values in such a way that the protected industries could secure more, and the non-protected retain less.

Of course, human nature being what it is, and a sense of justice being somewhat diffused in the breasts of mankind, the non-protected industries—that is to say, the masses of the people in any country—have never really relished this bait held out to ensnare them. They have nibbled at it, they have gotten a taste of it, but they have never liked it. Sooner or later they have become very hostile to the whole scheme. Just so far as they have come to understand it, they have denounced it; and, just so far as they could bring legislative action to bear on it, they have menaced or overthrown it. Not alone as between nations has this infernal

apple of discord stirred up strife and war ; it does the same thing as between neighbors and fellow citizens.

The celebrated French economist, M. Say, grandfather of the present able Minister of Finance, says that during the two hundred and fifty years preceding his time, fifty years were spent in European wars directly originating out of the Mercantile System, which is both a form and father of the Protective System. Speaking on the same topic, another French economist of note, M. Storch, has said : "It has made each nation regard the welfare of its neighbors as incompatible with its own ; hence their reciprocal desire of injuring or impoverishing one another ; and hence that spirit of commercial rivalry which has been the immediate or remote cause of the greater number of modern wars. In short, where it has been least injurious, it has retarded the progress of national prosperity ; everywhere else it has deluged the earth in blood, and has depopulated and ruined some of those countries whose power and opulence it was supposed it would carry to the highest pitch."

Such being the acknowledged feelings of the nations toward each other in the presence of this selfish principle embodied in law, it is no wonder that the same principle similarly embodied kindles ill-blood as between citizens of the same country. The tariff of 1828 brought the United States to the very verge of civil war. It is not too much to say that the late civil war could never have come as it did had it not been for the feelings engendered between North and South by that tariff, and the doctrines drawn out by Mr. Calhoun in direct consequence of it. The tendency of the present tariff may not be to array section against section as that tariff did, but its tendency to array class against class, namely, the manufacturing class against the far more numerous and important agricultural class, is more conspicuous than anything which that tariff can display. It is a matter of easy demonstration that the farmers of this country have to pay more for what they buy, and take less for what they sell, in direct consequence of the present tariff. The indirect consequence, in short the reaction, is, that the farmers do not like this legislation, and, when they have become a little better educated as to its bearings and results, *they will not have it.*

The signs of an approaching conflict on this point are unmistakable, and, in an ultimate view, though not in an immediate one, are by no means to be regretted. The very fallacy of inflation, which had its chief hold on the farmers, has its root and nursing-

ground in the tariff. The farmers know that *something* is smiting them, and that the blow seems to come from the Eastward and Northward : when they have found out a little better than they know now *what* it is that is smiting them, in the judgment of the present writer, they will smite *it* with a vengeance. God help them to aim the return-blow just where it ought to fall !

In the mean time it is refreshing to read the noble words of John Bright in his letter to the editor of this "Review," which words, as published in the June number, sound like a clarion across the water : "There is no danger of our going back to protection." England has tried it through and through ; she knows its every action and its every reaction ; she has found it, as Bright says, a "barbarism" and an "humiliation" ; she has paid the fine and penalty for long adherence to folly ; after experience and suffering, she has discarded it all and for ever ; she has come to "a more civilized system" ; she has thrown down the "barriers" ; she has embraced "freedom" ; and, after a fair trial of more than thirty years, sends over the cheering word through the mouth of a man trusted on all the continents, "*There is no danger of our going back to protection.*"

ARTHUR L. PERRY.